



WHEB Listed Equity Level One Disclosure Policy

Reporting Period to which Disclosure Relates:

Financial Year ended 28th February 2018

Introduction

Under the jointly issued Investment Management Association (IMA) and Depositary and Trustee Association (DATA) Collective Investment Schemes (CIS) Disclosure Code, WHEB Asset Management LLP (WAM) is required to provide a Level One Disclosure Policy.

The aim of this Level One Disclosure Policy is to provide transparency and accountability on how the investment managers' decisions regarding brokers trading venues, trading volumes, commissions for research and execution are determined.

This includes required disclosure of information regarding our policies, processes and procedures in relation to the management of costs incurred on behalf of clients, broker relationships and commission arrangements. WAM is required to establish and implement effective arrangements for complying with our obligation to take all reasonable steps to obtain the best possible outcome when placing and executing orders, in accordance with our Best Execution Policy.

WAM aims to comply with the CFA Institute Soft Dollar Standards, and the disclosures contained within this document are consistent with those set out in the Institute's guidance for ethical practices involving client brokerage. In accordance with these Standards, additional information concerning WAM's Soft Dollar Arrangements is available on request (Level II Disclosures).

Selection Process

Execution venues and methods of trading

When buying and selling financial instruments on behalf of clients or investment schemes, WAM will take all reasonable steps to achieve the best overall result for those clients or



investment schemes. This involves considering the nature of the orders and the market in question. Considerations relating to best execution apply to the selection and maintenance of brokers, the use of one or more brokers for a particular trade, and the timing and terms of any trade. WAM is required to consider factors including price, costs, timing, certainty, liquidity of the market, the relative size of the trade, type of transaction, venue (whether on a regulated market or otherwise) and any other factor relevant to the particular trade.

Execution factors

WAM will generally give highest priority to total consideration, representing the price of the relevant financial instruments and the costs related to execution. However, WAM may at its discretion prioritise other factors, including the impact on market prices of displaying and executing client orders, the speed and likelihood of execution, and availability of price improvement. If a client gives a specific instruction to WAM (a situation that should be relatively rare given WAM's primary role as a discretionary asset manager), this Policy will not be applied for those aspects of the execution relating to the specific instruction.

Execution venues

In every case WAM's orders are placed with a broker for execution. Most of the dealing on our behalf takes place on centralised order-driven exchanges but other venues, such as multilateral trading facilities, broker crossing networks and broker dark pools, may be used where available and beneficial.

Trading methods

We will consider on a transaction-by-transaction basis the method of trading that will be most appropriate for our clients' and investment schemes' best interests at that time. In doing so we take into account all relevant factors such as price, costs, speed, likelihood of execution and settlement, and size and nature of order. Where appropriate we will take advice from our executing broker.

Our broker will generally execute algorithmic price-taking trading strategies, at a low proportion of traded volumes, on our behalf. We also use broker-executed trades for difficult and illiquid blocks.

Broker selection

To help us achieve the best possible result for our clients, we have compiled a list of brokers to be used for the provision of both research and execution services.

Selection of execution counterparts

We undertake a best execution review to evaluate our executing broker(s) on at least an annual basis, taking into consideration a number of factors including price, costs, speed and likelihood of execution, service levels, access to execution venues, counterparty risk and certainty of settlement. We currently use a single broker for execution services. However, if an initial public offering (IPO) is presented by a different broker, and we take up the offering, we will execute that subscription through the IPO's broker.



Selection of research counterparts

WAM's Investment Team receives research from select research providers which we consider can add value to our investment process.

In assessing the value added from investment research WAM takes into account:

- (i) the extent to which the research provider provides research on stocks which fit into our investment themes (breadth of coverage);
- (ii) the depth and rigour of the research provided;
- (iii) the extent to which the research provided is aligned with our own way of analysing long-term investment opportunities; and
- (iv) the level of engagement that WAM has had with the authors of the research, whether by phone, group meetings or dedicated meetings.

WAM considers that corporate access represents a minor non-monetary benefit and falls outside of the definition of research.

Research Payment Account

WAM pays commission to research brokers using a Research Payment Account (RPA) to enhance WAM's investment management capability.

Such payments are only made where they have been found to be in accordance with WAM's duty to act in the best interests of its customers, and are only made to brokers that provide valuable research (as described above).

The amounts collected via the RPA are distributed to research providers on a quarterly basis in arrears, following a broker review and taking into account the above considerations.

WAM's RPA procedures enable us to accurately record our expenditure on research services, and to monitor value for money. RPA payments are only ever made for research services.

Third party research can take many forms and encompasses materials or services which:

- relate to one or more financial instrument(s) or other assets; or
- relate to the issuers or potential issuers; or
- relate closely to a specific industry or market such that it informs views on that sector.

Research must additionally have the specific characteristics as set out on page 6 below (payment of research commission).

Full details of WAM's Third Party Research Policy and Procedure are available on request.

Variations in rates of commission

WAM is an investment house based on fundamental research, and as such the research component of commissions is more important than the execution component. This is reflected in the different rates of commission paid for execution and research.

5 basis points (bps) commission is charged on trades for execution. This is reviewed and monitored against the wider market on at least an annual basis by the Compliance Officer with assistance from Senior Management to ensure that it represents value for WAM's clients.

A charge is made on each trade by WAM which is retained by the executing broker as research commission, under the RPA arrangements described above. Historically the rate of collection has been 12 bps, but this may be revised in light of trading activity in order to align commissions collected with the RPA budget. An additional charge may be made via the accounting method of collection, should there be a shortfall in amounts collected alongside transaction commissions vis-à-vis the budget set at the outset of the RPA period. This level of commission is also reviewed by the Compliance Officer / Internal Audit on at least an annual basis.

The RPA Budget for the current RPA period can be found at:

<https://www.fundrock.com/wp-content/uploads/2012/12/WHEB-RPA-Budget-1-March-2018.pdf>

Broker review

At the close of each quarter in the RPA budget period, a formal broker review is carried out in which proposed payments to research providers are discussed in detail. WAM distributes commission (via the RPA) to around 16 brokers following every broker review, for services provided in the quarter preceding the review. The criteria for determining the amounts paid to the individual brokers is the same as the criteria for selection of research counterparts, as described above.

Dealing efficiency monitoring

WAM conducts a formal annual assessment of its broker(s) and execution venues, monitoring the following factors:

- Counterparty exposure, reputational risk, and financial position (by reviewing financial statements and interim financial reports);
- Arrangements with its executing broker against other broker execution rates, taking into account the aggregate level of business and available market rates;
- Execution venues used by the broker when executing trades for WAM, and the executing broker's related policies and procedures; and
- The extent to which best execution has been achieved, with reference to monthly reports provided by the executing broker.

WAM also carries out sample checking of executed trades on a quarterly basis to ensure that we have adhered to the principles of best execution. In the sample checks we analyse our



trading against a Volume Weighted Average Price (VWAP) benchmark. We also review our executing broker's own transaction cost analysis, which uses an implementation shortfall benchmark as well as other applicable measures.

Conflicts of Interest

WAM is responsible for ensuring that its systems, controls and procedures are robust and adequate to identify and manage any conflicts of interest that may arise.

The firm and its staff must act honestly, fairly and professionally in accordance with the best interests of the client, which is the relevant fund or segregated mandate client. WAM staff are expected to conduct business for WAM according to the high standards and principles of rules governing the financial services industry, and at all times to act with the client's interest as a primary concern. WAM and its staff should therefore act at all times in the long term interests of clients and investors in WAM's investment products, and not in the short term interests of WAM or any member(s) of staff.

WAM's conflicts of interest procedures and conflicts map is reviewed by WAM's Internal Audit at least annually and more frequently as required (including during the development and launch of new products and/or business or process), to ensure that they remain robust and effective, and address the potential and actual conflicts of interest relevant to WAM.

WAM may not trade on behalf of staff or aggregate orders for staff and for clients. WAM may only execute a trade for more than one client if:

- WAM has disclosed to each client whose trade is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order. This disclosure is included in the WAM standard-form investment management agreement (which is signed by WAM segregated mandate clients) and WAM's Best Execution Policy (which is disclosed to all WAM clients); and
- The trade is conducted in accordance with the following rules:
 - a. The proceeds of a transaction conducted over a series of trades (which may vary by size, spread, pricing and speed of execution), will be allocated between clients pro-rata to their proportions of the trade.
 - b. If a trade is only partially satisfied, proceeds will be distributed between clients pro-rata to their proportions of the trade.

Any allocations shall be made between clients on a pro rata basis. Any deviations from the allocation policy require the prior consent of WAM's Compliance Officer. The allocation of particular trades is reviewed periodically by the WAM Investment and Risk Committee, if applicable.

Allocation of ideas

Any trade ideas may be traded on behalf of both WAM investment products and any segregated mandate, to the extent that the trade idea falls within their common investment criteria. To the extent that any segregated mandate client's investment criteria diverges from that of a WAM investment product or other segregated mandate clients, the original client will



be informed that it will not necessarily benefit from trade ideas to the same extent as the WAM investment product or other segregated mandate client.

Cross trading

The circumstances under which WAM may consider crossing client trades are exceedingly rare. Any cross trade requires the prior consent of the Compliance Officer, which will only be given where:

- (i) the pricing of the cross trade reflects the mid-market price at the relevant time as confirmed with an appropriate capital market participant that is independent of both prospective buyer and seller;
- (ii) the Compliance Officer considers that the price of the trade is fair to both clients (and the Compliance Officer may require the Investment Team to provide such information relating to the current, historic and projected price of the security);
- (iii) the cross trade is beneficial to both clients (for example, the security is not available to either client at preferential pricing or terms); and
- (iv) the trade does not disproportionately favour one client, for example by providing that client with liquidity.

Payment of research commission

In general, WAM pays selected research providers only for research that it considers:

- (a) assists its investment management services;
- (b) does not (and is not likely to) impair WAM's compliance with its duty to act in the best interest of its customers; and
- (c) has the following characteristics:
 - 1. Relates closely to a specific industry or market, such that it informs views on that sector;
 - 2. Explicitly or implicitly recommends or suggests an investment strategy and provides a substantiated opinion on the present or future value;
 - 3. Is capable of adding value to the investment or trading decisions by providing new insights that inform the investment manager when making such decisions about the customers' portfolios;
 - 4. Whatever form its output takes, represents original thought, in the critical and careful consideration and assessment of new and existing facts, and does not merely repeat or repackage what has been presented before;
 - 5. Has intellectual rigour, and does not merely state what is commonplace or self-evident; and
 - 6. Presents the investment manager with meaningful conclusions based on analysis or manipulation of data.

Payments of research commission to selected research providers are made in accordance with the RPA procedures as detailed above.

Derivatives

WAM does not invest in derivative securities.

Access to and allocation of Initial Public Offerings

From time to time, WAM has access to IPOs. On notification of the opportunity to invest, WAM considers the market conditions, the type of investment, the settlement period and the issuing price, to ensure that the underlying investment is one that we would wish to hold.

Once it has been established that an IPO is one which WAM would wish to participate in, the amount offered is allocated pro rata across all funds for which the security is considered suitable. Securing IPO opportunities only influences WAM trading patterns in so far as these opportunities may replace market transactions.

Custody services

Selection process

Where WAM appoints or changes a custodian, a process of due diligence is undertaken to ensure that the potential custodian would be satisfactory for WAM's requirements. This process includes due diligence visits, an assessment of the custodian's financial status, and a review of its custody processes and systems. WAM typically accesses custodial services via a wider administration arrangement, which enables us to reduce the costs to a level that would not normally be experienced with a custodian appointed on a standalone basis.

Review process

WAM formally reviews its custodians when its agreements with them become due for renewal. The review involves a detailed assessment of the standard of delivery of services by the custodian over the review period. In addition, WAM reviews the custodian's credit standing annually as part of the best execution review referred to above.

Custody fees

When appointing a custodian, the custodian's fee schedule is one of the many important facets of the service that is analysed by WAM. Where necessary and possible, WAM will negotiate with the custodian to reduce specific fees that are found to be uncompetitive.

Placing of deposits

WAM places its cash deposits with the custodian of the relevant fund or segregated mandate. Third parties may be selected from time to time to diversify counterparty risk.

Where a different bank is required for placing deposits or certificates of deposit, the bank would be assessed and reviewed by WAM with reference to both cost and quality of service.



Foreign exchange

WAM's currency dealing is carried out by the executing broker. Currency transactions principally arise to facilitate the purchase and sale of foreign securities using a cash balance denominated in a currency other than that of the underlying fund or segregated mandate.



MiFID Org Regulation – WHEB Asset Management Execution Policy

WAM must establish and implement a policy to allow us to obtain, for clients' orders, the best possible result in accordance with our best execution obligations. We are also required to provide our clients with appropriate information on our Execution Policy. The information disclosed to clients in this document satisfies our obligation to supply appropriate information to clients in relation to this Execution Policy.

We will monitor the effectiveness of our execution arrangements and policy in order to identify and, where appropriate, correct any deficiencies as part of our regular monitoring programme. We will assess on a regular basis whether our execution broker(s) continue to provide the best possible result for our clients, or whether we need to make changes to our arrangements.

In addition, we will review our Execution Policy and order execution arrangements annually, or whenever a material change occurs that affects our ability to continue to obtain the best possible result for the execution of orders on a consistent basis as noted in our policy. A material change is likely to include, for example, the introduction of a regulated market, which then becomes the dominant source of liquidity in a particular instrument. It is unlikely to include the removal of a single counterparty from the list of approved execution venues.

Should any of the checks and processes set out above result in the identification of any deficiencies, WAM will seek to resolve the position as soon as reasonably practicable.

Issued by WHEB Asset Management LLP. WHEB Asset Management LLP is a limited liability partnership registered in England with registered number OC341489 and with its registered address at 7 Cavendish Square, London, W1G 0PE. A list of members is available for inspection at its registered address. WHEB Asset Management is authorised and regulated by the Financial Conduct Authority with Firm Reference Number 496413.